

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>Charter Township of Bedford</u>	County Calhoun
Audit Date December 31, 2003	Opinion Date April 8, 2004	Date Accountant Report Submitted To State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 67 West Michigan Avenue, Suite 500	City Battle Creek	State MI	ZIP 49017
Accountant Signature 			

# **Charter Township of Bedford Calhoun County**

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**Financial Report  
with Additional Information  
December 31, 2003**

# Charter Township of Bedford

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**Independent Auditor's Report**

To the Members of the Township Board  
Charter Township of Bedford  
Battle Creek, Michigan

We have audited the accompanying general purpose financial statements of the Charter Township of Bedford, Michigan as of December 31, 2003, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Charter Township of Bedford, Michigan management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with accounting principles generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Fixed assets acquired prior to January 1, 1990 of the proprietary funds have not been capitalized, nor has related depreciation been recorded as required by accounting principles generally accepted in the United States of America. The amount of unrecorded fixed assets and depreciation cannot be determined. Consequently, the financial statements of the Sewer System Fund do not present fairly the financial position, results of operations, or cash flows in accordance with accounting principles generally accepted in the United States of America.

The general purpose financial statements referred to above do not include the General Fixed Asset Account Group, which should be included to conform with accounting principles generally accepted in the United States of America. The amount that should be recorded in the General Fixed Asset Account Group is not known.

In our opinion, except for the effects of matters discussed in the two preceding paragraphs, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Charter Township of Bedford, Michigan at December 31, 2003, and the results of its operations and cash flows of its proprietary funds and similar trust fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Plante & Moran, PLLC*

April 8, 2004

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# Charter Township of Bedford

	Governmental Fund Type General	Proprietary Funds
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 798,011	\$ 523,166
Taxes and accounts receivable	113,987	25,095
Interest receivable	-	17,580
Due from other funds (Note 3)	205,491	39,577
Special assessments receivable (Note 4)	-	585,217
Capital assets (Note 5)	-	2,233,775
Bond costs, net of accumulated amortization of \$39,115	-	11,148
Amount to be provided for retirement of general long-term debt (Note 4)	-	-
Total assets	<b>\$ 1,117,489</b>	<b>\$ 3,435,558</b>
<b>Liabilities and Fund Equity</b>		
<b>Liabilities</b>		
Accounts payable	\$ 6,176	\$ -
Accrued interest	-	10,350
Due to other funds (Note 3)	-	3,145
Compensated absences (Note 4)	-	-
Deferred revenue	304,304	-
Due to other governmental units	-	-
Long-term debt (Note 4)	-	1,170,000
Other (Note 4)	-	-
Total liabilities	310,480	1,183,495
<b>Fund Equity</b>		
Fund balances:		
Reserved (Note 7 and Note 12)	4,227	-
Unreserved:		
Undesignated	802,782	-
Retained earnings	-	2,252,063
Total fund equity	807,009	2,252,063
Total liabilities and fund equity	<b>\$ 1,117,489</b>	<b>\$ 3,435,558</b>

See Notes to Financial Statements.

**Combined Balance Sheet  
All Fund Types and Account Groups  
December 31, 2003**

Trust and Agency	General Long-term Debt Account Group	Totals (Memorandum Only)
\$ 1,315,511	\$ -	\$ 2,636,688
-	-	139,082
-	-	17,580
-	-	245,068
-	-	585,217
-	-	2,233,775
-	-	11,148
-	1,016,493	1,016,493
<b><u>\$ 1,315,511</u></b>	<b><u>\$ 1,016,493</u></b>	<b><u>\$ 6,885,051</u></b>
\$ -	\$ -	\$ 6,176
-	-	10,350
241,923	-	245,068
-	23,000	23,000
-	-	304,304
1,044,856	-	1,044,856
-	886,493	2,056,493
-	107,000	107,000
1,286,779	1,016,493	3,797,247
28,732	-	32,959
-	-	802,782
-	-	2,252,063
28,732	-	3,087,804
<b><u>\$ 1,315,511</u></b>	<b><u>\$ 1,016,493</u></b>	<b><u>\$ 6,885,051</u></b>

# Charter Township of Bedford

## Statement of Revenue, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund Year Ended December 31, 2003

	General Fund		
	Budget	Actual	Over (Under) Budget
<b>Revenue</b>			
Taxes	\$ 781,200	\$ 757,362	\$ (23,838)
State shared revenue	875,000	781,826	(93,174)
Licenses, fees and permits	95,200	105,061	9,861
Charges for services	12,500	14,853	2,353
Interest earned	15,500	14,127	(1,373)
Miscellaneous	65,000	100,266	35,266
Total revenue	1,844,400	1,773,495	(70,905)
<b>Expenditures</b>			
General government	778,655	710,043	(68,612)
Public safety	1,952,238	1,639,645	(312,593)
Total expenditures	2,730,893	2,349,688	(381,205)
Deficiency of revenue over expenditures	(886,493)	(576,193)	310,300
<b>Other Financing Sources</b>			
Proceeds from debt	886,493	886,493	-
Excess of revenue and other financing sources over expenditures	-	310,300	310,300
<b>Fund Balance – Beginning of year</b>	496,709	496,709	-
<b>Fund Balance – End of year</b>	<u>\$ 496,709</u>	<u>\$ 807,009</u>	<u>\$ 310,300</u>

# Charter Township of Bedford

## Combined Statement of Revenue, Expenses and Changes in Retained Earnings/Fund Balance All Proprietary Fund Types and Similar Trust Fund Year Ended December 31, 2003

	Proprietary Fund Types Sewer Fund	Cemetery Perpetual Care Fund	Totals (Memorandum Only)
<b>Operating Revenue</b>			
Charges for services	\$ 192,040	\$ -	\$ 192,040
<b>Operating Expenses</b>	<u>211,766</u>	<u>-</u>	<u>211,766</u>
<b>Operating Loss</b>	(19,726)	-	(19,726)
<b>Nonoperating Revenue</b> - Interest income	27,762	654	28,416
<b>Nonoperating Expenses</b>			
Interest expense	28,750	-	28,750
Amortization expense	<u>2,952</u>	<u>-</u>	<u>2,952</u>
Total nonoperating expenses	<u>31,702</u>	<u>-</u>	<u>31,702</u>
<b>Net Income (Loss)</b>	(23,666)	654	(23,012)
<b>Retained Earnings/Fund Balance</b> – Beginning	<u>2,275,729</u>	<u>28,078</u>	<u>2,303,807</u>
<b>Retained Earnings/Fund Balance</b> – Ending	<u>\$ 2,252,063</u>	<u>\$ 28,732</u>	<u>\$ 2,280,795</u>

See Notes to Financial Statements.



# Charter Township of Bedford

## Combined Statement of Cash Flows All Proprietary Fund Types and Similar Trust Fund Year Ended December 31, 2003

	Proprietary Fund Types Sewer Fund	Cemetery Perpetual Care Fund	Totals (Memorandum Only)
<b>Cash Flows from Operating Activities</b>			
Operating loss	\$ (19,726)	\$ -	\$ (19,726)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	58,797	-	58,797
Changes in assets and liabilities:			
Due from other funds	9,495	-	9,495
Due to other funds	<u>(8,993)</u>	<u>-</u>	<u>(8,993)</u>
Net cash provided by operating activities	39,573	-	39,573
<b>Cash Flows from Capital and Related Financing Activities</b>			
Collection of customer assessments	102,800	-	102,800
Principal payments on long-term debt	(155,000)	-	(155,000)
Payment of interest on long-term debt	<u>(26,500)</u>	<u>-</u>	<u>(26,500)</u>
Net cash used in capital and related financing activities	(78,700)	-	(78,700)
<b>Cash Flows from Investing Activities</b>			
Interest on investments	<u>27,762</u>	<u>654</u>	<u>28,416</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(11,365)	654	(10,711)
<b>Cash and Cash Equivalents – Beginning</b>	<u>534,531</u>	<u>28,078</u>	<u>562,609</u>
<b>Cash and Cash Equivalents – Ending</b>	<u><b>\$ 523,166</b></u>	<u><b>\$ 28,732</b></u>	<u><b>\$ 551,898</b></u>

During the year ended December 31, 2003, there were no non-cash transactions.

# Charter Township of Bedford

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## Notes to Financial Statements December 31, 2003

### Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Bedford conform to accounting principles generally accepted in the United States of America as applicable to governmental units with the following exceptions:

The Sewer Fund is on a full accrual basis and conforms to accounting principles generally accepted in the United States of America except that fixed assets acquired prior to January 1, 1990 have not been capitalized, nor has depreciation been recorded for those assets.

General fixed assets purchased are recorded as expenditures in the General Fund at time of purchase. No General Fixed Assets Account Group has been maintained.

The following is a summary of the significant accounting policies:

#### Reporting Entity

The Township is governed by an elected seven-member Board of Trustees. As required by generally accepted accounting principles, these financial statements present the Charter Township of Bedford. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

#### Fund Accounting

The accounts of the Township are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The various funds are grouped, in the combined financial statements in this report, into generic fund types in three broad fund categories as follows:

#### Governmental Funds

**General Fund** – The General Fund contains the records of the ordinary activities of the Township that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue and other sources.

# Charter Township of Bedford

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## Notes to Financial Statements December 31, 2003

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Proprietary Funds

**Enterprise Funds** – Enterprise Funds are used to account for the results of operations that provide a service to citizens that is financed primarily by a user charge for the provision of that service.

#### Fiduciary Funds

**Trust and Agency Funds** – Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, organizations, other governments or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

#### Basis of Accounting

Except as noted above, the accrual basis of accounting is used by the proprietary funds and similar trust funds (Cemetery Perpetual Care Fund). All governmental funds and Agency Funds utilize the modified-accrual basis of accounting. Modifications in such method from the accrual basis are as follows:

- a. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in the General Fund at December 31.

- b. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- c. Normally, expenditures are not divided between years by the recording of prepaid expenses.

### Note 1 – Summary of Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Fixed Assets and Long-term Liabilities** – Fixed assets purchased after January 1, 1990 and long-term liabilities relating to the proprietary funds are accounted for in those funds. Depreciation on such fixed assets is charged as an expense against the operations of the proprietary funds on a straight-line basis. For the year ended December 31, 2003, depreciation totaling \$58,797 has been included in the operating expenses of the Enterprise Funds.

**Amortization** – Expenses associated with the issuance of the bonds in the Enterprise Funds are being amortized on the straight-line method over the term of the bonds. For the year ended December 31, 2003, amortization totaling \$2,952 has been included in the nonoperating expenses of the Enterprise Funds.

**Cash Equivalents** – For purposes of the statement of cash flows, the proprietary funds and nonexpendable trust fund consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Investments** – Investments are recorded at fair value based on quoted market prices.

**Memorandum Only Totals** – The total data presented is the aggregate of the fund types and account groups and is presented for analysis purposes only. No consolidating or other eliminations were made in arriving at the totals; therefore, they do not present consolidated information.

Other accounting policies are disclosed in other notes to the financial statements.

# Charter Township of Bedford

## Notes to Financial Statements December 31, 2003

### Note 2 – Cash and Cash Equivalents

The Township's deposits and investments at December 31, 2003 are included on the balance sheet under the following classifications:

	Cash and Cash Equivalents
Deposits	\$ 967,236
Investments - bank investment pools	1,669,292
Petty cash and cash on hand	<u>160</u>
Total	<u>\$ 2,636,688</u>

**Deposits** – The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$1,126,000. Of that amount, approximately \$228,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution it deposits Township funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Investments** – The Township is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

The Township investments during the year consisted solely of bank investment pools that had a carrying amount and market value of \$1,669,292 at December 31, 2003. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk assumed by the Township; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book form. The Township believes the investments in these pools comply with the investment authority noted above.

# Charter Township of Bedford

## Notes to Financial Statements December 31, 2003

### Note 3 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$ 205,491	Tax collection	\$ 241,923
Sewer system	39,577	Sewer	3,145
Total	<u>\$ 245,068</u>	Total	<u>\$ 245,068</u>

### Note 4 – Long-term Debt and Assessments Receivable

#### Outstanding Debt

The following is a summary of the debt outstanding of the Township as of December 31, 2003:

	Interest Rate	Principal Outstanding
General Long-Term Debt Account Group - Installment Purchase Agreement	3.09%	\$ 886,493
Enterprise Funds – Michigan Municipal Bond Authority, Michigan State Revolving Loan Fund Program, County of Calhoun, Project No. 5015	2%	<u>1,170,000</u>
Total long-term debt		<u>\$ 2,056,493</u>

#### Changes in Long-term Debt

The bonds were issued by the State of Michigan and the proceeds are payable to Calhoun County. The Township is primarily liable for repayment of the bonds pursuant to a contract with Calhoun County. Under the contract, the Township is obligated to pay the principal and interest requirements on the bonds.

# Charter Township of Bedford

## Notes to Financial Statements December 31, 2003

### Note 4 – Long-term Debt and Assessments Receivable (Continued)

The bonds represent the financing of public improvements that benefit specific districts; these districts are specially assessed, at least in part, for the cost of the improvements. The Township has \$585,217 of special assessments receivable in the future. Future operating results are expected to produce the principal and interest payments not derived from the special assessments.

The following is a summary of long-term debt transactions of the Township for the year ended December 31, 2003:

	Bonds Payable	Installment Purchase Agreement	Other Obligations	Total
<b>Balance</b> – January 1, 2003	\$ 1,325,000	\$ -	\$ 146,000	\$ 1,471,000
Proceeds	-	886,493	-	886,493
Retirements	<u>(155,000)</u>	<u>-</u>	<u>(16,000)</u>	<u>(171,000)</u>
<b>Balance</b> – December 31, 2003	<u>\$ 1,170,000</u>	<u>\$ 886,493</u>	<u>\$ 130,000</u>	<u>\$ 2,186,493</u>

The other obligations are comprised of the following:

Employee compensated absences	\$ 23,000
Environmental obligation (Note 6)	107,000

# Charter Township of Bedford

## Notes to Financial Statements December 31, 2003

### Note 4 – Long-term Debt and Assessments Receivable (Continued)

#### Debt Service Requirements

The annual requirements to service bonds and installment purchase agreement outstanding as of December 31, 2003, including both principal and interest, are as follows:

Year ending December 31:	Installment	
	Bonds	Purchase Agreement
2004	\$ 183,400	\$ 194,067
2005	180,200	194,067
2006	182,000	194,067
2007	178,700	194,067
2008	180,400	194,067
Remaining years	<u>360,500</u>	<u>-</u>
Total	<u>\$ 1,265,200</u>	<u>\$ 970,335</u>

#### Interest

Total interest incurred by the Township during the year approximated \$28,750.

### Note 5 – Capital Assets

A summary of proprietary fund fixed assets at December 31, 2003 follows:

	Enterprise Funds	Depreciable Life-Years
Sewer system	\$ 2,939,851	50
Less accumulated depreciation	<u>(706,076)</u>	
Net	<u>\$ 2,233,775</u>	



# Charter Township of Bedford

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## Notes to Financial Statements December 31, 2003

### Note 6 – Contingencies

**Environmental Cleanup** – The Township is aware of soil contamination that occurred as the result of an underground storage tank. The Department of Environmental Quality is currently monitoring the site. The Township is currently working with a company specializing in environmental contamination to do required remediation and monitoring. Based upon estimates obtained from the environmental consultant, \$107,000 has been recorded in the General Long-term Debt Account Group as the estimated cost to clean up and monitor the contamination. The ultimate costs to clean up the contamination will be determined by the success of the initial phases of cleanup and cannot be determined at this time. Expenditures for the year ended December 31, 2003 were \$12,825.

### Note 7 – Fund Balance

The Cemetery Perpetual Care fund balance is reserved by the Township for cemetery care in the amount of \$28,732 and the General Fund balance is also reserved by the Township for a surplus in construction code fee activity at December 31, 2003.

### Note 8 – Budget Information

The annual budget is prepared by the Township Supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The statement of revenue, expenditures and changes in fund balance – budget and actual – General Fund is presented on the same basis of accounting used in preparing the adopted budget and is adopted in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget as adopted by the Township Board is included in the additional information.

# Charter Township of Bedford

## Notes to Financial Statements December 31, 2003

### Note 9 – Defined Contribution Retirement Plan

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township Board, the Township contributes six percent of employees' gross earnings and employees contribute five percent of earnings. The Township has elected to contribute the five percent employee contribution for elected officials. In accordance with these requirements, the Township contributed \$23,219.

### Note 10 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township participates in the Michigan Townships Participation Plan for claims related to property loss, torts, errors, omissions, and workers' compensation. The Township has purchased commercial insurance for employees' medical benefits. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

### Note 11 – Contract for Services

During 2003, the Township renewed a contract with the City of Battle Creek for police services. The contract will run through June of 2007.

The schedule of payments under the provisions of the contract are as follows:

2004	\$ 660,050
2005	709,553
2006	762,769
2007	819,976
	<u>\$ 2,952,348</u>

Costs incurred for the contract during 2003 totaled \$589,342.

# Charter Township of Bedford

## Notes to Financial Statements December 31, 2003

### Note 12 – Construction Code Fees

The Township oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2000 is as follows:

Surplus at December 31, 2002	\$	6,905
Building permit revenue		60,055
Related expenses:		
Direct costs	\$	60,165
Estimated indirect costs		<u>2,568</u>
Total construction code expenses		<u>62,733</u>
Balance at December 31, 2003	\$	<u><u>4,227</u></u>

### Note 13 – Upcoming Reporting Change

For the year beginning January 1, 2004, the Township plans to adopt GASB Statement Number 34. This will dramatically revise the information being reported in these financial statements. Governmental activities will report information by individually significant fund, as well as in total on the full accrual basis of accounting. Enterprise funds will no longer report capital contributions as a direct increase to equity. Information is not available to present pro-forma data that would show the effect of this future change.

## **Additional Information**

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To the Members of the Township Board  
Charter Township of Bedford  
Battle Creek, Michigan

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The additional information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Charter Township of Bedford. This information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, except for those items as discussed in the third and fourth paragraphs of our report on the general purpose financial statements, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Plante & Moran, PLLC*

April 8, 2004

# Charter Township of Bedford

## General Fund Schedule of Revenue – Budget and Actual Year Ended December 31, 2003

	Budget	Actual	Over (Under) Budget
Taxes:			
Current levy:			
Police and fire	\$ 287,600	\$ 273,561	\$ (14,039)
Township	132,400	131,934	(466)
Street lighting	63,000	63,660	660
Fire	<u>251,700</u>	<u>250,809</u>	<u>(891)</u>
Total current levy	734,700	719,964	(14,736)
Tax administration fee	<u>46,500</u>	<u>37,398</u>	<u>(9,102)</u>
Total tax revenue	781,200	757,362	(23,838)
State shared revenue	875,000	781,826	(93,174)
Trailer fees	6,700	4,237	(2,463)
Zoning fees	2,000	4,462	2,462
Liquor license fees	4,000	3,836	(164)
Mechanical permits	10,000	13,774	3,774
Building permits	26,500	28,894	2,394
Electrical permits	12,000	12,260	260
Plumbing permits	6,000	5,127	(873)
Cable franchise	<u>28,000</u>	<u>32,471</u>	<u>4,471</u>
Total licenses, fees and permits	95,200	105,061	9,861
Charges for services	12,500	14,853	2,353
Interest earned	15,500	14,127	(1,373)
Miscellaneous	<u>65,000</u>	<u>100,266</u>	<u>35,266</u>
Total revenue	1,844,400	1,773,495	(70,905)
Other Financing Sources			
Proceeds from debt	<u>886,493</u>	<u>886,493</u>	<u>-</u>
Total revenue and other financing sources	<u><b>\$ 2,730,893</b></u>	<u><b>\$ 2,659,988</b></u>	<u><b>\$ (70,905)</b></u>

# Charter Township of Bedford

## General Fund Schedule of Expenditures – Budget and Actual Year Ended December 31, 2003

	Budget	Actual	Over (Under) Budget
<b>General Government</b>			
<b>Township Board</b>			
Salaries	\$	\$ 12,000	\$
Employee benefits		10,913	
Professional services		29,132	
Insurance		25,292	
Computer expense		22,367	
Contingency fund		-	
Reserve fund		11,864	
Printing and publications		5,091	
Total Township Board	147,200	116,659	(30,541)
<b>Supervisor</b>			
Supervisor's salary		51,000	
Other salaries		20,498	
Employee benefits		29,866	
Total Supervisor	103,600	101,364	(2,236)
<b>Elections</b>			
Miscellaneous		3,024	
Total Elections	4,000	3,024	(976)
<b>Clerk</b>			
Clerk's salary		48,000	
Employee benefits		19,348	
Miscellaneous		574	
Total Clerk	69,500	67,922	(1,578)

# Charter Township of Bedford

## General Fund Schedule of Expenditures – Budget and Actual (Continued) Year Ended December 31, 2003

	Budget	Actual	Over (Under) Budget
<b>General Government (Continued)</b>			
<b>Board of Review</b>			
Salaries		2,115	
Employee benefits		155	
Total Board of Review	2,750	2,270	(480)
<b>Treasurer</b>			
Treasurer's salary		48,000	
Employee benefits		19,348	
Miscellaneous		79	
Dues and publications		5,499	
Total Treasurer	77,000	72,926	(4,074)
<b>Parks</b>			
Repair and maintenance		3,576	
Insurance		705	
Miscellaneous		20,430	
Total Parks	25,600	24,711	(889)
<b>Planning Commission</b>			
Salaries		1,195	
Employee benefits		70	
Total Planning Commission	2,400	1,265	(1,135)



# Charter Township of Bedford

## General Fund Schedule of Expenditures – Budget and Actual (Continued) Year Ended December 31, 2003

	Budget	Actual	Over (Under) Budget
<b>General Government (Continued)</b>			
<b>Assessor</b>			
Salaries – Assessor		34,647	
Other salaries		20,498	
Employee benefits		18,709	
Professional services		963	
Vehicle		911	
Printing and publishing		4,354	
Miscellaneous		1,441	
		_____	_____
Total Assessor	88,405	81,523	(6,882)
<b>Street Lighting</b>	63,000	59,545	(3,455)
<b>Building and Grounds</b>			
Utilities		17,320	
Repair and maintenance		11,525	
Communications		10,368	
Operating supplies		7,493	
Postage		4,662	
Insurance		6,450	
Sanitation		3,229	
Storage tank removal		12,825	
Miscellaneous		6,790	
Capital outlay		29,005	
		_____	_____
Total Building and Grounds	119,200	109,667	(9,533)

# Charter Township of Bedford

## General Fund Schedule of Expenditures – Budget and Actual (Continued) Year Ended December 31, 2003

	Budget	Actual	Over (Under) Budget
<b>General Government (Continued)</b>			
<b>Cemetery</b>			
Salaries		35,415	
Employee benefits		17,367	
Repair and maintenance		9,355	
Insurance		5,707	
Miscellaneous		1,323	
		<u>          </u>	<u>          </u>
Total Cemetery	<u>76,000</u>	<u>69,167</u>	<u>(6,833)</u>
Total General Government	778,655	710,043	(68,612)
<b>Public Safety</b>			
<b>Police</b>			
Employee benefits		13,253	
Battle Creek Police contract		589,342	
		<u>          </u>	<u>          </u>
Total Police	605,500	602,595	(2,905)
<b>Fire</b>			
Salaries		44,526	
Employee benefits		3,406	
Gas and oil		4,169	
Communications		7,758	
Insurance		35,873	
Repair and maintenance		28,282	
Miscellaneous		1,428	
Replacement equipment		10,127	
Capital Outlay	<u>-</u>	<u>838,748</u>	<u>-</u>
Total Fire	1,281,193	974,317	(306,876)

# Charter Township of Bedford

## General Fund Schedule of Expenditures – Budget and Actual (Continued) Year Ended December 31, 2003

	Budget	Actual	Over (Under) Budget
<b>Building Department</b>			
Salaries		55,075	
Employee benefits		5,090	
Indirect costs		2,568	
Total Building Department	<u>65,545</u>	<u>62,733</u>	<u>(2,812)</u>
Total Public Safety	<u>1,952,238</u>	<u>1,639,645</u>	<u>(312,593)</u>
Total General Fund expenditures	<u><b>\$2,730,893</b></u>	<u><b>\$ 2,349,688</b></u>	<u><b>\$ (381,205)</b></u>

# Charter Township of Bedford

## Schedule of Operating Expenses Sewer System Fund Year Ended December 31, 2003

	Proprietary Fund Types Sewer Fund
<b>Operating Expenses</b>	
Legal and professional	\$ 2,000
Depreciation	58,797
Sewer contract – City of Battle Creek	<u>150,969</u>
Total operating expenses	<u><b>\$ 211,766</b></u>

# Charter Township of Bedford

## Combining Balance Sheet Trust and Agency Funds December 31, 2003

<b>Assets</b>	Tax Collection Fund	Trust and Agency Fund	Cemetery Perpetual Care Fund	Totals
Cash and cash equivalents	<u>\$ 1,286,641</u>	<u>\$ 138</u>	<u>\$ 28,732</u>	<u>\$ 1,315,511</u>
<b>Liabilities and Fund Balance</b>				
<b>Liabilities</b>				
Due to General Fund	\$ 202,346	\$ -	\$ -	\$ 202,346
Due to Sewer Fund	39,577	-	-	39,577
Due to other governmental units	<u>1,044,718</u>	<u>138</u>	<u>-</u>	<u>1,044,856</u>
Total liabilities	1,286,641	138	-	1,286,779
<b>Fund Balance – Reserved</b>	<u>-</u>	<u>-</u>	<u>28,732</u>	<u>28,732</u>
Total liabilities and fund balance	<u>\$ 1,286,641</u>	<u>\$ 138</u>	<u>\$ 28,732</u>	<u>\$ 1,315,511</u>

# Charter Township of Bedford

## Schedule of Indebtedness December 31, 2003

### Enterprise Funds:

Michigan Municipal Bond Authority, Michigan State  
Revolving Loan Fund Program, County of Calhoun,  
Project No. 5015

Issue Dated August 28, 1990, in the Amount of \$ 3,044,606

Less:

Bonds paid in prior years	(1,719,606)
Bonds due and paid in current year	<u>(155,000)</u>

**Balance Outstanding** – December 31, 2003 **\$ 1,170,000**

Bonds payable as follows:

Year	Rate	Interest	Principal	Total
2004	2.00%	\$ 23,400	\$ 160,000	\$ 183,400
2005	2.00%	20,200	160,000	180,200
2006	2.00%	17,000	165,000	182,000
2007	2.00%	13,700	165,000	178,700
2008	2.00%	10,400	170,000	180,400
2009	2.00%	7,000	175,000	182,000
2010	2.00%	<u>3,500</u>	<u>175,000</u>	<u>178,500</u>
Total		<b><u>\$ 95,200</u></b>	<b><u>\$ 1,170,000</u></b>	<b><u>\$ 1,265,200</u></b>

Interest on the above bonds is payable semi-annually at the indicated rate on May 1 and November 1.

# Charter Township of Bedford

## Schedule of Indebtedness (Continued) December 31, 2003

### General Long-Term Debt Account Group:

#### Installment Purchase Agreement LaSalle Bank

Issue Dated February 27, 2003 in the Amount of \$ 886,493

Less:

Bonds paid in prior years	-
Bonds due & paid in current year	-

**Balance Outstanding** – December 31, 2003 **\$ 886,493**

Payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2004	3.09%	27,392	166,675	194,067
2005	3.09%	22,242	171,825	194,067
2006	3.09%	16,933	177,134	194,067
2007	3.09%	11,459	182,608	194,067
2008	3.09%	5,817	188,250	194,067
Total		<b><u>\$ 83,843</u></b>	<b><u>\$ 886,492</u></b>	<b><u>\$ 970,335</u></b>

Interest and principal on the above agreement is payable annually at the indicated rate on February 27.



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July 16, 2004

Members of the Township Board  
Charter Township of Bedford  
115 S. Uldriks Drive  
Battle Creek, MI 49017

Dear Board Members:

We have recently completed our audit of the Township's financial statements for the year ended December 31, 2003. We would like to thank you for the opportunity to serve the Township and would also like to thank your staff for all the cooperation we received during the audit. This communication contains items we encountered during our audit, as well as other general topics offered for your consideration.

### **INTERNAL CONTROL STRUCTURE**

The concept of "internal control structure" relates to the system of checks and balances intended to safeguard assets and ensure reliability of the accounting data. The Township's policies and procedures that have been put into place, the accounting system, and the environment that the Township operates in, all interact and together form the internal control structure.

In performing our audit of the financial statements of the Charter Township of Bedford as of December 31, 2003, we considered the Township's internal control structure in order to determine the extent of our audit procedures for the purpose of expressing an opinion on the financial statements and not provide assurance on the system of internal control. However, we noted several matters relating to the human resource/payroll function in which we would recommend more documentation. In our testing, we noted there was no personnel file for one employee, there was no documentation of a pay rate for one employee, there was no documentation of authorized payroll deductions, and the Township was unable to provide a timesheet for a fire department employee for the period tested. We recommend the Township institute a uniform policy to utilize personnel files for all employees and to maintain appropriate documents within the personnel files. Documents that should be included in personnel files include authorizations for payroll deductions, W-4 withholding forms, Form I-9's, and pay rate authorizations. In addition, we recommend approved timesheets be maintained by the accounting department. These actions will help ensure proper documentation. We would be happy to provide guidance in this process.

A member of



A worldwide association of independent accounting firms



### **STATE SHARED REVENUE**

Municipalities in Michigan have and will continue to feel the effects of the slow down in the State's economy. State shared revenue accounted for approximately 45% of the Township's total General Fund revenue for the calendar year ended December 31, 2003. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the State's fiscal years ended September 30, 2002 and 2003 were less than originally projected.

It is generally acknowledged that the State's budget woes will continue for several more years. As a result, we continue to urge the Township to be conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

### **MUNICIPAL FINANCE ACT REVISIONS – *Reminder***

The Municipal Finance Act was amended during 2001. Beginning after March 2002, communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township's year end (which means for Charter Township of Bedford that filing is due June 30, 2004) and is good for one year thereafter.

### **GASB 34 – NEW REPORTING MODEL – *Reminder***

As you are aware, the Governmental Accounting Standards Board issued a new pronouncement that will change the presentation of governmental financial statements. The expected benefits of the new model include improved comparability of financial statements between communities, and a better matching of the current year's revenue sources to the full cost of services provided during that year. This pronouncement will go into effect for the Township for the year ending December 31, 2004. At this time, the Township will be required to capitalize all equipment, buildings, and infrastructure. In addition, the Township will be required to prepare the "Management's Discussion and Analysis" section and Plante & Moran would be available for assistance in this process if needed.

Thank you again for the opportunity to serve the Township and to the staff for their cooperation. If we can be of assistance regarding the items in this letter or any other matters, please do not hesitate to contact us.

Very truly yours,

**PLANTE & MORAN PLLC**



L. Bradley Thompson, CPA  
Partner



Kim Hoppe, CPA  
Associate